

Economic Conditions

February 2002

Civilian Labor Force

- To date, the current recession has been relatively mild by historic standards. Virginia's December 2001 unemployment rate of 3.6 percent is less than half the peak unemployment rate experienced during the last recession a decade ago. The national unemployment rate of 5.4 percent in December is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- The Virginia unemployment rate dropped from 3.7 percent in November 2001 to 3.6 percent in December.
- 133,900 workers were unemployed in December 2001 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- Despite signs pointing to a relatively mild recession, 63,000 more Virginians were unemployed in December than a year earlier—an increase of 89 percent.
- Three of Virginia's eight MSA's had December unemployment rates above the statewide average—Danville (9.0 percent), Lynchburg (5.0 percent), and Bristol (4.5 percent).
- With 31 percent of Virginia's population, Northern Virginia accounted for 86 percent of the state's employment growth from December 2000 to December 2001.

		December 01	December 00	Dec. 00 to Dec. 01	
				Net Change	% Change
Labor Force	VA	3,734,991	3,654,846	80,145	2.2%
	US	141,912,000	141,319,000	593,000	0.4%
Employment	VA	3,601,052	3,583,863	17,189	0.5%
	US	134,235,000	136,092,000	-1,857,000	-1.4%
Unemployment	VA	139,939	70,983	68,956	97.1%
	US	7,678,000	5,227,000	2,451,000	46.9%
Unemployment rate	VA	3.6%	1.9%	----	89.5%
	US	5.4%	3.7%	----	45.9%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonagricultural Employment

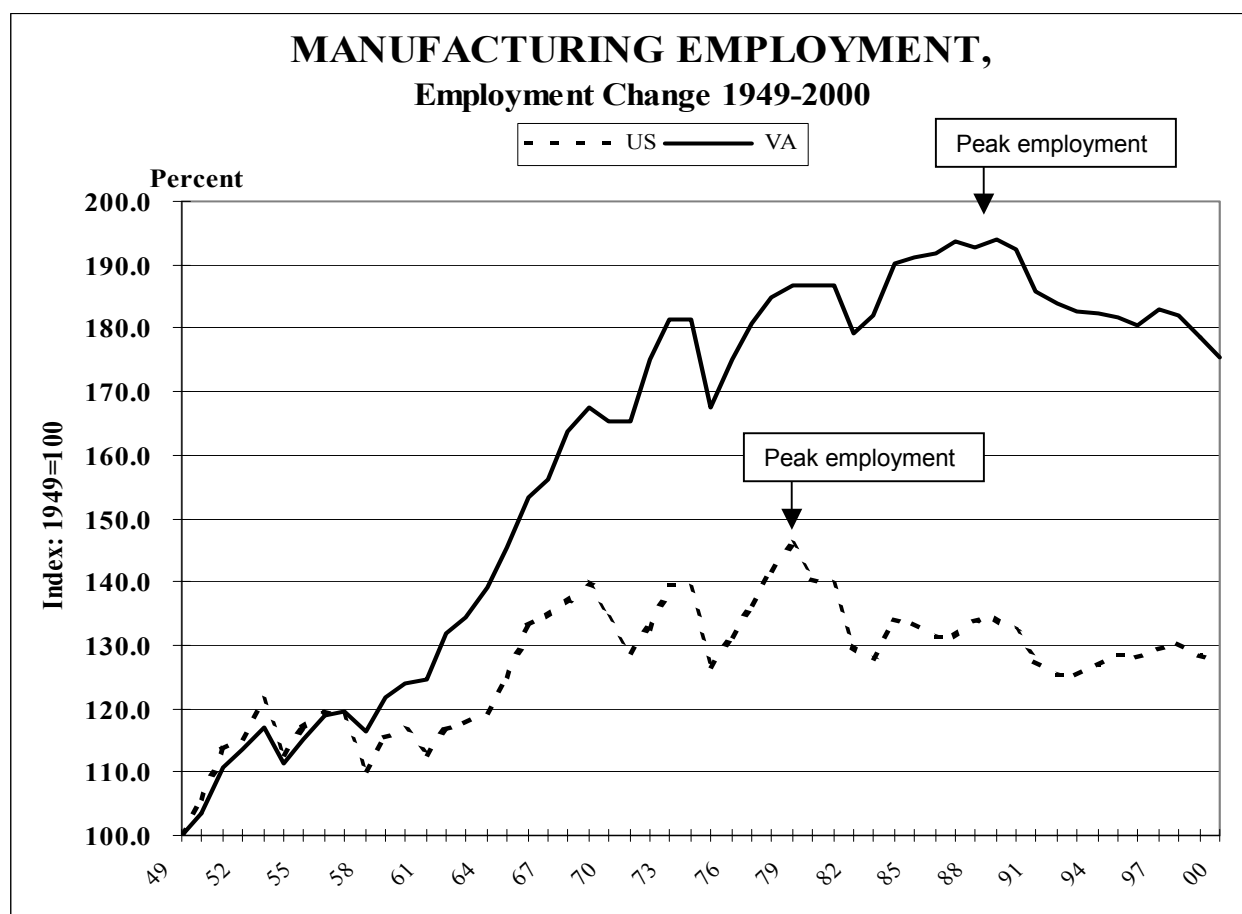
- Nonagricultural employment increased by 22,600 jobs from November 2000 to November 2001. However, this translates into a paltry 0.6 percent increase, the smallest 12-month percentage increase in the preceding year.
- Manufacturing and mining were the only two major industries to lose jobs from November 2000 to November 2001 with a combined loss of 16,600 employees.
- Services and construction added the most jobs in the past twelve months—25,700. They also experienced the largest percentage increases—4.3 and 1.4 percent, respectively.
- Since 1990, services has added more jobs than any other sector of the Virginia economy—434,100 and has grown at a faster rate than any other sector—59.4 percent.

	Current				Historic			
			Nov. 00-Nov. 01				Nov. 90-Nov. 01	
	Nov. 01	Nov. 00	Net Change	%		Nov. 90	Net Change	%
Total	3,588,100	3,565,500	22,600	0.6%		2,903,500	684,600	23.6%
Mining	9,800	10,000	-200	-2.0%		14,800	-5,000	-33.8%
Construction	227,400	218,100	9,300	4.3%		174,000	53,400	30.7%
Manufacturing	371,000	387,400	-16,400	-4.2%		422,600	-51,600	-12.2%
Trans. and public utilities	193,200	191,500	1,700	0.9%		150,700	42,500	28.2%
Wholesale and retail trade	786,800	785,600	1,200	0.2%		670,300	116,500	17.4%
Finance, ins., and real estate	192,800	191,200	1,600	0.8%		153,900	38,900	25.3%
Services	1,165,100	1,148,700	16,400	1.4%		731,000	434,100	59.4%
Government	642,000	633,000	9,000	1.4%		586,200	55,800	9.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Overview

- In November 2001, manufacturing employment in Virginia reached its lowest level since July 1975.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. Since then it declined 14 percent, losing 61,500 jobs, with textiles and apparel accounting for 38,700 of the total. In comparison, manufacturing declined nationally by 13 percent during the same period.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.1 million jobs through November 2001.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 37 percent of the state's manufacturing employment.



Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 11,900 jobs over the past twelve months, a decline of 5.9 percent.
- Job losses were heaviest in three durable goods industries—electronic equipment (5,200), furniture (2,700), and industrial machinery (2,000). The largest percentage losses were also in electronic equipment (18.7 percent) and furniture (12.3 percent).
- The only durable goods industry to add jobs over the past twelve months was miscellaneous manufacturing, which grew by 100 jobs.
- It is important to separate the short-term effects of the current recession from long-term trends. Electronic equipment has been steadily declining since 1985, due largely to the impact of foreign competition. Since 1990 alone, this industry has lost 11,600 jobs, a 33.9 percent decline, with no end in sight. Furniture, also feeling the effects of foreign competition, lost 3,300 jobs (a 14.7 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years to come.
- Transportation equipment was also a major job-loss industry since 1990, employment declining by 5,500 jobs. However, most of these jobs were lost in the immediate aftermath of the end of the Cold War as orders for naval vessels were drastically cut back.

	Current				Historic			
			Nov. 00 –Nov. 01				Nov. 90–Nov. 01	
	Nov. 01	Nov. 00	Net Change	%		Nov. 90	Net Change	%
Total manufacturing	371,000	387,400	-16,400	-4.2%		422,600	-51,600	-12.2%
Durable goods	190,100	202,000	-11,900	-5.9%		203,600	-13,500	-6.6%
Lumber	27,000	27,100	-100	-0.4%		23,600	3,400	14.4%
Furniture	19,200	21,900	-2,700	-12.3%		22,500	-3,300	-14.7%
Stone, clay, glass	12,600	13,100	-500	-3.8%		14,000	-1,400	-10.0%
Primary metals	10,400	11,300	-900	-8.0%		11,300	-900	-8.0%
Fabricated metals	16,900	17,200	-300	-1.7%		18,000	-1,100	-6.1%
Ind. machinery	26,200	28,200	-2,000	-7.1%		22,500	3,700	16.4%
Electronic equip.	22,600	27,800	-5,200	-18.7%		34,200	-11,600	-33.9%
Trans. equip.	39,100	39,300	-200	-0.5%		44,600	-5,500	-12.3%
Instruments	11,200	11,300	-100	-0.9%		9,900	1,300	13.1%
Misc. mfg.	4,900	4,800	100	2.1%		3,000	1,900	63.3%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 4,500 jobs over the past twelve months, a decline of 4.5 percent.
- With an increase of 1,900 jobs, food products was the only nondurable goods industry to add significant numbers of jobs over the past 12 months.
- The heaviest job losses of the past twelve months were experienced in textiles, chemicals, and rubber and plastics, which lost 2,600, 1,000, and 1,000 jobs, respectively.
- The long-term prospects for several of Virginia's nondurable goods industries is especially grim. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have been losing jobs since the early 1970s with combined losses totaling approximately 53,000 jobs. However, two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within the next decade, if not sooner.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,000 jobs, 10,400 since 1990 alone.

	Current				Historic			
			Nov. 00 –Nov. 01				Nov. 90–Nov. 01	
	Nov. 01	Nov. 00	Net Change	%		Nov. 90	Net Change	%
Total manufacturing	371,000	387,400	-16,600	-4.3%		422,600	-49,300	-11.7%
Nondurable goods	180,900	185,400	-4,500	-2.4%		219,000	-38,100	-17.4%
Food products	41,100	39,200	1,900	4.8%		37,900	3,200	8.4%
Tobacco products	9,300	9,300	0	0.0%		13,700	-4,400	-32.1%
Textiles	23,200	25,800	-2,600	-10.1%		39,700	-16,500	-41.6%
Apparel	9,300	10,000	-700	-7.0%		26,100	-16,800	-64.4%
Paper	16,500	16,900	-400	-2.4%		17,000	-500	-2.9%
Printing	37,400	38,200	-800	-2.1%		35,600	1,800	5.1%
Chemicals	19,100	20,100	-1,000	-5.0%		29,500	-10,400	-35.3%
Rubber/plastics	23,800	24,800	-1,000	-4.0%		17,100	6,700	39.2%
Petroleum/leather	1,200	1,100	100	9.1%		2,400	-1,200	-50.0%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 114.6 percent increase followed by engineering and management services, 50.0 percent and communications, 44.0 percent. This compares with 23.6 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Nov. 00-Nov. 01				Nov. 90-Nov. 01	
	Nov. 01	Nov. 00	Net Change	%		Nov. 90	Net Change	%
Nonmanufacturing	3,217,100	3,178,100	39,000	1.2%		2,480,900	736,200	29.7%
Communications	64,100	61,000	3,100	5.1%		44,500	19,600	44.0%
Business services	344,200	345,000	-800	-0.2%		160,400	183,800	114.6%
Engineering and management svcs	141,900	134,900	7,000	5.2%		94,600	47,300	50.0%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Consumer Price Index

- On a seasonally adjusted basis the Consumer Price Index for All Urban Consumers (CPI-U) declined 0.2 percent in December. The energy and food indices declined 3.2 percent and 0.1 percent, respectively. If food and energy are excluded, the CPI-U rose 0.1 percent.
- The CPI-U declined at a seasonally adjusted annual rate of 2.0 percent in the fourth quarter, following increases in the first three quarters of 4.0, 3.7, and 0.7 percent, respectively.

Current			Historic		
	% Change, Nov. 01 to Dec. 01	% Change Dec. 00 to Dec. 01	% Change Dec. 90 to Dec. 01	% Change Dec. 80 to Dec. 01	% Change Dec. 70 to Dec. 01
Dec. 01					
176.7	-0.4%	1.6%	32.1%	104.8%	344.0%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Finance

- The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in almost four decades.
- The Dow Jones, S&P 500, and NASDAQ are currently 15 percent, 27 percent, and 63 percent, respectively, below their all-time highs.

	Feb. 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
DJIA	9907	-1.6%	6.9%	-5.7%	-9.8%
S&P 500	1122	-2.9%	3.5%	-7.7%	-18.3%
NASDAQ	1911	-3.4%	9.5%	-7.6%	-31.3%

	Feb. 02	August 01	Feb. 01
Federal funds rate	1.75%	3.75%	5.50%
Treasury – 5 year	4.37%	4.62%	4.78%
Treasury – 10 year	5.02%	6.00%	6.62%
Bank prime loan rate	4.75%	6.75%	8.50%

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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